



**Office of the Washington State Auditor
Pat McCarthy**

July 26, 2018

Board of Commissioners
Kitsap County Consolidated Housing Authority (Housing Kitsap)
Silverdale, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of Housing Kitsap from July 1, 2016 through June 30, 2017. We believe our recommendations will assist you in improving the Authority's internal controls and compliance in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Authority officials and personnel. If you have any further questions, please contact me at (360) 895-6133.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for the cooperation and assistance given during the course of the audit.

Sincerely,

Carol Ehlinger, Audit Manager

Attachment

Management Letter
Kitsap County Consolidated Housing Authority
July 1, 2016 through June 30, 2017

Cash receipting tenant rents

The Housing Authority receipted about \$4 million in rental income for its eight rental properties and six component units in fiscal year 2017. Prior audits found the Housing Authority was not depositing rental receipts in a timely manner. Our current audit found the Housing Authority has not fully implemented prior recommendations. We determined:

- The Housing Authority did not consistently deposit funds in a timely manner, with 27 of 61 batches deposited an average of three days after receipt. This does not comply with state law (RCW 43.09.240), which requires daily deposits, or with the Housing Authority's depositing procedures.
- Additionally, 47 of 61 deposit batches tested were not posted to tenant accounts in a timely manner. Tenant payments were posted an average of 10 days after the deposit was prepared and taken to the bank. This caused inaccurate and incomplete accounting records and did not allow for reconciliations to be prepared in a timely manner as required by state law (RCW 43.09.200).
- The Housing Authority did not independently review transactions voided by property managers, nor did the Authority include those voided transactions in reconciliation reports.
- Orchard Bluff was not providing receipts to tenants at the time it received payment.

We recommend the Housing Authority:

- Ensure it makes deposits in a timely manner, in compliance with state law (RCW 43.09.240) and Housing Authority policy
- Ensure it posts tenant payments in the system to tenant accounts the same date tenant payments are receipted and deposited so accounting records are accurate and complete and to ensure compliance with state law (RCW 43.09.200)
- Independently review and approve all voided transactions
- Provide proof of receipt to all tenants at the time it receives payment